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AUTHOR	Robinson, Robert A.
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ABSTRACT

This document presents testimony offered in conjunction with the reauthorization of federal child nutrition programs, and specifically reports on the United States Department of Agriculture's no-fee school meal pilot program. This alternative program aims to reduce administrative costs to schools and to increase student participation. In the pilot program, which was implemented in four school districts, meals were served free to all students, regardless of household income; and school food authorities (SFAs), which are typically the school districts administering the program, used less time-consuming and paper-intensive methods to determine federal reimbursement than do SFAs that administer traditional fee-based programs. Results of the pilot programs indicated that SFAs reduced their administrative costs for running meal programs, staff time was saved as staff were reallocated to other tasks, the number of lunches served increased 10 percent, and federal reimbursement to the pilot SFAs increased 33 percent. It is concluded that, before adopting the no-fee approach nationwide, further study is needed. Each of the four pilot SFAs used a different approach to reduce the burden of paperwork associated with the meal program, and it is not clear which pilot approach was most effective. Nor is it clear how much federal reimbursements might increase if no-fee approaches are adopted nationwide. (TM)

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FOOD ASSISTANCE

Early Results of USDA's No-Fee School Meal Pilot Program

Statement of Robert A. Robinson, Associate Director, Food and Agriculture Issues, Resources, Community, and Economic Development Division

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Mr. Chairman and Members of the Subcommittee:

We are pleased to have the opportunity to participate in your hearings on the reauthorization of federal child nutrition programs. Our testimony today focuses on the early results of the U.S. Department of Agriculture's (USDA) no-fee school meal pilot program. Through this program, USDA is studying ways to reduce the administrative burden on schools providing meals to children and increase student participation.

Under the current lunch and breakfast programs, the federal government pays schools a nationally established subsidy for each meal served to help reduce the cost to students. The programs also require that meals be provided free, or at a greatly reduced-price, to children from economically disadvantaged households. Reimbursement rates differ depending on the income of the students' families. Schools are tasked with determining and verifying the eligibility of students for free or reduced-price meals and keeping accurate records of meals served to all students to support their claims for federal reimbursement.

In an attempt to reduce the administrative burden associated with establishing student eligibility and obtaining reimbursements; and to increase student participation, Congress authorized USDA to evaluate alternatives to the administrative requirements of the current program. USDA's no-fee school meal pilot program was initiated in response to this congressional action.[1]

My comments today provide you and your Subcommittee with the results of our work on the no-fee pilot program. As you requested, we focused our effort on examining (1) the differences between the no-fee pilot program and the traditional school meal programs, (2) the different approaches used by the four school food authorities (SFAs)[2] participating in the pilot program, and (3) the results being obtained in terms of SFA administrative costs and workload, student participation, and federal costs. Our review of the pilot program involved visiting each of the four SFAs, examining the operations at each pilot location, identifying

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[1]A Universal school meal program has also been discussed as a means of reducing the administrative burden associated with free and reduced-price meals. Meals would be served free to all students as with the no-fee approach, however, only one rate would be used to reimburse schools.

[2]In most cases an SFA is the same as a school district. However, some SFAs are not part of a school district.

program impacts, and interviewing the federal and local officials involved.

In summary, based on our observations of the pilots, there are two major differences between the no-fee approach being used in the pilot program and the traditional school meal programs. First, under the pilot, school meals are served free (no-fee) to all children, regardless of household income, instead of only to those children from economically disadvantaged households. Second, SFAs are using different methods to determine the federal reimbursement for meals served. The primary differences among the four pilot SFAs involve how each determines the number of children eligible for meals and how each determines the amount of reimbursement due them for meals served. With respect to the results of the pilot program, participating SFAs have reduced the administrative costs associated with operating their school meal programs. In addition, the number of lunches served at the pilot schools has increased by 10 percentage points. The increase in breakfast participation is not readily measurable except for one participating SFA. At this pilot, breakfast participation increased by 7 percentage points. Federal costs to reimburse or subsidize pilot schools for meals increased by 33 percent during the initial 2 years of the program. This is due, in part, to the increased student participation.

Because the pilot program has been quite limited to date, a "go slow" approach to a nationwide implementation of the no-fee pilot approaches seems appropriate. Based on the results of our work, an extension of the current pilots, and an expansion of the pilot program to include more SFAs seems worthwhile. By extending and expanding the current pilot program, USDA would be able to present more complete information on the feasibility and budgetary consequences of no-fee pilot approaches, and the Congress would be in a better position to make an informed policy decision on whether the concept merits use nationwide.

BACKGROUND

The school lunch and school breakfast programs are among the largest of the federal child nutrition programs. On an average school day, about 25 million children at over 93,000 locations participate in the lunch program. The federal cost to subsidize school lunches in fiscal year 1993 was about $4.8 billion. The breakfast program is much smaller; it serves 5.3 million children at 55,000 locations and cost about $866 million in fiscal year 1993. While the programs are serving meals to millions of children each day, USDA estimates that as many as 4.2 million additional children who are currently eligible for free or reduced-price meals do not

apply for school meal programs.

As indicated earlier, under the current school lunch and school breakfast programs, the federal government pays schools a nationally established subsidy for each meal served to help reduce the students' meal costs. In school year 1993-94, the subsidy for each lunch served is 31 cents. Schools are allowed to charge students a fee for these meals that will allow them to cover their costs in providing the meals. For federal reimbursement purposes, these are referred to as "paid" meals, because the student pays the school for the school-established price of the meal.

However, the school meal programs also require that meals be provided free, or at a greatly reduced-price, to children from economically disadvantaged households. Instead of the basic 31-cent subsidy for each meal served, schools are reimbursed for "free" meals served to students at a higher rate--for school year 1993-94 the rate is $1.87 for school lunches. "Reduced-price" meals are provided to students from families that are economically disadvantaged, but not disadvantaged to the extent of students receiving free meals. Schools can charge these students no more than a set rate for reduced-price meals, which for a school lunch is 40 cents. The federal reimbursement rate for these meals is the free meal reimbursement rate less the 40 cents--which in school year 1993-94 amounts to $1.47. Schools are tasked with determining and verifying the eligibility of students for free or reduced-price meals and keeping accurate records of meals served to all students to support their claims for reimbursement in each of the three reimbursement categories.

Currently, about 13 million of the 25 million students participating in the school lunch program receive free or reduced-price lunches each day. In an attempt to reduce the administrative burden associated with establishing student eligibility for free and reduced-price meals, and obtaining reimbursement for all meals served, the Congress authorized USDA to evaluate alternatives to the current administrative requirements for determining student eligibility and claiming reimbursement. An additional objective was to increase student participation in the school meal programs. In response to this authority, USDA approved the following four SFAs to pilot a no-fee program:

-- School District of Philadelphia, located in Philadelphia, Pennsylvania;

-- Jersey City Public Schools, located in Jersey City, New Jersey;

-- Alisal Union School District, located in Salinas, California; and

-- National School District, located in National City, California.

There is a significant difference in the size of the SFAs involved in the pilot program. Philadelphia currently enrolls approximately 205,000 students. Jersey City's enrollment is about 30,000. Alisal Union and National City are much smaller--enrolling about 5,200 and 6,500 students respectively.

USDA authorized the pilot program to operate for 3 school years, beginning with the 1991-92 school year. USDA has since added an additional year to the program--allowing it to continue through the 1994-95 school year. USDA expects to publish its interim report on the results of the first 2 years of the pilot program in the next few weeks.

MAJOR DIFFERENCES BETWEEN NO-FEE PILOT PROGRAM AND TRADITIONAL SCHOOL MEAL PROGRAMS

The no-fee pilot program differs from the traditional meal programs in two basic ways. First, as indicated earlier, under the current USDA school meal programs, students pay the school the full established price for their meals, unless they come from economically disadvantaged families. Depending on their income level, children from poorer families are provided either a free meal or a meal for which they pay a reduced price. In contrast, under the no-fee pilot program, meals are provided to all students at no cost (no-fee), regardless of family income.

The second major difference involves the process by which SFAs determine the total reimbursement they claim for meals served. This is normally a two-step process under the traditional program. First, the SFAs collect, process, and verify applications to establish the eligibility of students for a free or reduced-price meal. Eligibility determinations are made each year. Second, the SFAs count the number of meals served each day to children in each meal reimbursement category. SFAs must physically identify and keep track of each child that eats a school meal, by meal reimbursement category.

Under the no-fee program, the SFAs use alternative methods to determine students' eligibility for free and reduced-price meals and to determine how many meals are served in each reimbursement category. While each pilot SFA approach is different in its specifics, they differ from the traditional method in that three of the four use a less time-consuming and less paperwork-intensive approach for determining students' eligibility and all four use less burdensome approaches for determining the reimbursement due from the federal government for meals served.[3]

PRIMARY DIFFERENCES AMONG PILOT APPROACHES

The basic differences among the approaches being employed by the four pilot SFAs involves the unique way each SFA determines the number of children eligible for free or reduced-price meals and the number of meals to claim for reimbursement in each meal category. Two SFAs--Philadelphia and National City--use statistical models to estimate the number of students eligible for free, reduced-price, and paid meals. Philadelphia uses a combination of information from its social welfare rolls and a statistical sampling of students' families to determine the percentage of children in each of its 274 schools that would qualify for free and reduced-price meals and the percentage that would have had to pay full price. Philadelphia then uses the percentages as the basis for determining the federal reimbursement for meals served. For example, if the Philadelphia SFA determined that 70 percent of the students attending a school would qualify for a free lunch or breakfast, it then assumed that 70 percent of the meals served were eligible for reimbursement at the "free meal" reimbursement rate. They repeated the process for reduced-price and paid meals. Rather than collecting individual names of children receiving a meal and then checking the eligibility of each to determine how many meals to claim by reimbursement category, the school merely counts the total number of meals served and uses the model percentages to establish claims for reimbursement. The initial estimates developed for the Philadelphia pilot are being used for the first 3 years of the pilot. Philadelphia is considering redoing the estimates for the fourth year.

National City's approach differs from the Philadelphia approach in that it uses a model to estimate the socio-economic conditions of the entire community--not each school individually. The model information is then used to

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[3]While, under the no-fee program, SFAs serve meals free to all students, the SFAs still claim reimbursements under the traditional three-tiered reimbursement rates--free, reduced-price, and paid.

determine the percentage of meals that would be claimed in each of the three reimbursement categories. This profile is used for all the schools in the SFA. National City calculates new estimates every year rather than using the same estimate for the entire pilot period.

The other two SFAs--Alisal Union and Jersey City--continue to collect applications from families of students to determine students' eligibility. Alisal Union collects applications once every 3 years. Using the applications, it determines the percentage of children that fall into each meal reimbursement category and then uses this percentage for 3 years to determine the number of meals to be claimed in each reimbursement category. Jersey City is unique in that it is continuing to collect and verify applications every year. This is done solely to qualify for additional state education funding. As with the other three SFAs, it uses percentages (instead of counts of each meal served) as a means of determining the number of meals served in each reimbursement category. Jersey City develops new claiming percentages every year.

RESULTS OF THE NO-FEE MEAL PILOT PROGRAM

As compared to the traditional school lunch and breakfast programs, the no-fee pilot program has reduced administrative costs and increased student participation in school meal programs at the four SFAs. Furthermore, a large number of the school staff previously responsible for administering school lunch and breakfast programs at these locations have been freed to focus more attention on education and school meal planning activities. While these favorable results were being achieved by the SFAs, federal reimbursements for meals provided at the pilot schools have increased. However, according to SFA officials, other changes to the operations at pilot SFAs during the pilot period most likely also affected students' participation and program costs.

Administrative Burden and Costs Have Decreased as a Result of the Pilot

The administrative burden that is borne by SFAs in providing free and reduced-price meals under the current program is primarily associated with processing and verifying student applications (to determine their eligibility for free and reduced-priced meals), and counting and claiming meals by reimbursement category. Under the no-fee program, the extent and costs of these efforts have been substantially reduced. With respect to eligibility determinations, Philadelphia estimates that it saved roughly $32,100 each year by eliminating applications--$18,000 in labor costs associated

with reviewing the applications, and an additional $14,100 associated with printing the applications. Furthermore, it estimates that about 13,000 hours of school administrators' time attributed to processing applications has been saved. National City estimates that it saved about $26,000 each year by not processing meal applications. Alisal Union estimates that it saved about $19,400 each year in costs associated with printing, processing, and verifying applications. Because Jersey City issues applications each year, it has not realized savings associated with processing and verifying applications.

Likewise, the SFAs participating in the program are saving on costs associated with counting and claiming meals by reimbursement category. In the first year of the program, Philadelphia estimates that it saved about 17,000 labor hours by eliminating the need to count the number of meals served in each reimbursement category. National City estimates saving 5,200 labor hours by not collecting meal tickets and students' meal payments. Alisal Union estimates that it saved about $75,400 each year in counting and claiming costs--$62,700 in labor costs and $12,700 in meal tickets, counting equipment and supplies. Jersey City estimates that it saves about $145,000 each year in labor costs associated with ticket distribution and counting meals. It should be noted that the significant difference in the size of the SFAs helps explain the wide variation in pilot results.

The cost savings associated with the no-fee program should be offset by expenses incurred by participating SFAs. Such costs would include the development and use of statistical models and the cost of the meals that was formerly paid for by the students. For example, Philadelphia's model cost about $125,000 to develop; National City's cost about $3,500. These, and other costs, have not been factored into the savings mentioned above. Officials at these SFAs are pleased with the performance of their models, believe that they represent worthwhile investments, and plan on continuing to use them.

Student Participation Increased

In total, average daily lunch participation in all pilot schools has increased by 10 percentage points during the first 2 years of the pilot program.[4] Philadelphia's average daily lunch participation increased by about 10 percentage points from 60 to 70 percent among all schools in the pilot. The increase in participation varied by grade level. It

[4]Data on the third year of the pilot--1993-94--are not yet available.

increased the most in high schools--23 percentage points--versus 5 percentage points in elementary schools. Jersey City's daily participation also increased by about 10 percentage points, from 72 to 82 percent; Alisal Union's participation increased by about 2 percentage points, from 89 to 91 percent; and National City's participation increased by about 8 percentage points, from 87 to 95 percent. All of the pilot schools in Jersey City, Alisal Union, and National City are elementary schools. Likewise, pilot officials indicated that breakfast participation increased during the pilot years. However, we were only able to quantify the increase for National City where participation increased by 7 percentage points. We could not quantify the increase in breakfast participation at the other three SFAs because they either began or made changes to their breakfast programs after the pilot began.

Pilot officials noted that a common perception in the traditional school meal programs is that students participating in the programs are viewed as being from poor families. This stigma has the effect of causing some eligible students not to participate in the school meal programs. Since meals are provided free to everyone in the program, the stigma of participating in school meal programs is reduced. SFA officials believe that the reduced stigma helps explain the increased participation in the program. Furthermore, in addition to the increase in free and reduced-price students, there probably has been an increase in the number of "paid" students participating in the program. These students who previously chose not to participate in the program when they were charged for their meals, may now participate because the meals are free.

Labor Hours Saved Are Reallocated to Education, Nutrition, and Other Tasks

Three of the four SFAs have not eliminated staff as a result of the pilot program. Instead, labor hours formerly associated with processing applications and counting and claiming meals by reimbursement category have been reallocated to other tasks. Specifically, pilot officials stated that the hours saved have been redirected toward improving meal quality, nutrition education, and staff development. In addition, teachers are able to devote more time to instruction since they no longer have to help administer the program. Philadelphia officials stated that labor hours associated with the traditional meal programs have been redirected toward providing better service and producing the additional meals required as a result of the increased participation. Unlike the other SFAs, National City used its estimated 7,000-hour reduction to reduce staff through attrition. In total, National City eliminated seven

staff positions as a result of the program.

Federal Reimbursement Costs Have Increased at Pilot SFAs

Federal reimbursements to the pilot SFAs for USDA's school meal programs have increased during the pilot period from $31.6 million in school year 1990-91--the base year of the pilot--to $42.1 million in school year 1992-93--the second year of the pilot. This represents a $10.5 million, or 33-percent increase. Philadelphia had the largest increase in total reimbursement dollars--$7.5 million, a 30-percent increase; Jersey City had a $2.2 million, or a 61-percent increase; Alisal Union's reimbursement increased $0.5 million, or 42 percent; and National City's reimbursement increased $0.3 million, or 20 percent.

This increase in reimbursements is due, in part, to the increased number of children participating in the school lunch and school breakfast programs at each SFA. Also, a portion of the increase can be attributed to the increase in federal reimbursement rates for meals served during the pilot years. For example, the reimbursement rate for free school lunches increased about 9 cents, or about 5 percent, during the pilot years. Free school breakfast reimbursement rates increased by about 5 cents, almost a 5.5-percent increase.

Other Factors May Have Affected Pilot Results

Other factors, not related to the program, may have affected SFAs' operations during the pilot years and, hence, played a role in the changes in participation levels and costs experienced at the pilot SFAs. Because these changes occurred at the same time the program was being implemented, it is not possible to isolate the specific impact of each change on each SFA. For example, three SFAs made significant changes to their meal programs. Alisal Union and Jersey City began breakfast programs during the pilot, and Philadelphia expanded the breakfast program to all of its schools. Jersey City has also upgraded its meal production facilities, allowing them to move from serving boxed cold meals in some of its schools to serving hot meals. According to Jersey City officials, this change makes the meal programs more attractive to students and thereby potentially increases student participation. These and other changes most likely increased program participation and costs and obscured the specific impact of the pilot program on the SFAs.

NO-FEE PROGRAM NEEDS FURTHER STUDY

The early results of the program have demonstrated that less burdensome administrative procedures can be implemented by SFAs to determine student eligibility for free and reduced-price meals. These methods can also reduce the burden associated with claiming federal reimbursements for meals served. This reduced burden can enable schools to free up staff resources to perform other activities more closely related to the schools' primary mission--educating students.

However, for several reasons, additional study by USDA seems warranted before deciding if the no-fee approaches being used by the four pilot SFAs should be adopted nationwide. First, experience with these no-fee approaches is limited at this time. Second, it is not entirely clear which pilot approach was the most effective. Each of the SFAs used a different approach to reduce the paperwork burden associated with providing school meals. Also, other changes were made at three of the SFAs during the pilot period that may have influenced the pilot results. Finally, it is not clear how much federal reimbursements might increase if the no-fee pilot approaches were adopted on a nationwide basis.

Under these circumstances, the most prudent approach at this time may be to extend the program at the current pilot sites and also expand the pilot program to a number of other SFAs. By extending the program and expanding the number of SFAs involved, USDA could obtain more definitive answers to important unresolved questions--such as the most effective approach, or approaches, to put in place and the likely impact of the program on costs to the federal government. In addition, the program may not be appropriate for all SFAs. For example, to be cost effective, a school would need a large number of free and reduced-price eligible students whose meals qualify for higher federal reimbursement rates. Also, this expansion could potentially allow USDA the opportunity to explore other alternatives to reducing the burden associated with the traditional school meal programs' administrative requirements. With additional data, the Congress and USDA would be in a better position to assess the merits, as well as the social and budgetary trade-offs associated with, moving to nationwide application of the no-fee pilot approaches for school meal programs.

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This concludes my prepared statement, I would be pleased to answer any questions that you or the other members may have.

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